



Dan Bucks
Director

Montana Department of Revenue



Brian Schweitzer
Governor

MEMORANDUM

TO: Gene Walborn, BIT

FROM: Steve Cleverdon, Tax Policy and Research
Eric Dale, Tax Policy and Research

DATE: June 4, 2012

RE: Computation for Class 12 Tax Rate for Tax Year 2012

TPR has finalized the computations for the tax rate for class 12 property for tax year 2012. The calculated tax rate is **3.45%**.

Methodology described in 15-6-145 MCA was followed. The tax rate is a weighted average of tax rates for non-class 12 commercial property. The components of the computation and their source are listed below.

<u>Component</u>	<u>Source</u>
Class 4 Commercial land and improvements.	ORION 2011
Class 7 Commercial personal property.	ORION 2011
Class 8 Commercial personal property.	ORION 2011
Class 9 Centrally assessed property.	ORION 2011
Class 13 Centrally assessed property.	ORION 2011
Class 14 Wind generation property.	ORION 2011

The values for all classes are the final tax year 2011 values. Since prior year data is used in the calculation of the class 12 tax rate, the department will be required to recalculate the class 12 tax rate with 2012 values by September 1, 2012. If the value as recalculated differs by more than 5% from the tax rate herein (3.45%), the department will be required to recertify taxable values for class 12 property.

I have calculated the value-weighted mean sales assessment ratio of class 4 commercial property (15-6-145 (4) (b) MCA) and it is 0.6270. This factor is applied to the taxable value of the class 4 component.

Attached is a table showing the contribution of each component.

CC:	Cynthia Moore	Joe Easton
	Lee Baerlocher	Ed Caplis
	Dan Bucks	Grace Gilmore
	Kory Hofland	Angie Haller
	John Cameron	Alan Peura

Class 12 Tax Rate - Tax Year 2012
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Class of Property	Market Value	Taxable Value before Class 4 Equalization	Class 4 Market/Sales Ratio	Effective Tax Rate
			62.70%	
Class 4 Commercial and Industrial	11,965,959,338	310,739,480	194,829,208	1.628%
Class 7	14,930,215	1,194,416	1,194,416	8.000%
Class 8	6,190,568,040	149,773,386	149,773,386	2.419%
Class 9	2,535,218,511	304,105,701	304,105,701	11.995%
Class 13	3,427,556,549	192,788,528	192,788,528	5.625%
Class 14	571,443,867	9,070,970	9,070,970	1.587%
Total Commercial and Industrial	24,705,676,521	967,672,481	851,762,209	0.03448

Class 12 Tax Rate (15-6-145, MCA)	$\frac{851,762,209}{24,705,676,521}$	0.034476377	3.45%
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Without Class 4 Equalization	$\frac{967,672,481}{24,705,676,521}$	0.039168022
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Class 4 Adjustment

321,373,150 2011 TV

2.72% 2011 tax rate

2.63% 2012 tax rate

310,739,480 2011 TV adjusted

Steve Cleverdon and Eric Dale
Office of Tax Policy and Research
Montana Department of Revenue
May 31, 2012